

## Message Text

SECRET

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY E:RMPOATS

APPROVED BY E:CWROBINSON

S/S: CABORG

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FM SECSTATE WASHDC

TO AMEMBASSY TEHRAN PRIORITY

S E C R E T STATE 214610

NODIS

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: BILATERAL OIL AGREEMENT WITH IRAN

REF: TEHRAN 8760.

FOR CHARGE FROM UNDER SECRETARY ROBINSON

1. PLEASE CONVEY TO ANSARY OUR REGRET THAT WE APPEAR TO BE UNABLE TO REACH AGREEMENT ON THIS MATTER. CONSEQUENTLY WE ACCEPT HIS SUGGESTION THAT WE KEEP THE MATTER IN ABEYANCE UNTIL OCTOBER, WHEN BOTH GOVERNMENTS WILL HAVE AN OPPORTUNITY TO RECONSIDER WHETHER THERE MAY BE A BASIS FOR RESUMING NEGOTIATIONS. MEANWHILE, WE TRUST THERE IS AGREEMENT THAT ALL ASPECTS OF THESE DISCUSSIONS WILL REMAIN IN ABSOLUTE CONFIDENCE.

2. THERE IS NO NEED NOW TO ARGUE THE PARTICULARS OF OUR LATEST COMPROMISE PROPOSALS, BUT WE SHOULD NOT LEAVE

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UNANSWERED HIS QUESTIONING OF OUR SINCERITY. OUR

COMPROMISE SUGGESTIONS WERE A SINCERE EFFORT TO MEET ANSARY'S NEED, FIRST EXPRESSED IN PARIS ON AUGUST 21, FOR SOME BACKDATING OF THE AGREEMENT AND AN EARLIER START ON INDEXATION. HE ALSO INTRODUCED THERE A NEW REQUIREMENT THAT THE USG ASSURE THAT US OIL COMPANIES WOULD MAINTAIN

THEIR HIGH 1974-75 AVERAGE LEVEL OF PURCHASES FROM IRAN AT THE NEW OPEC PRICES. NEW CONDITIONS ALSO WERE INTRODUCED BY US ON AUGUST 21, NECESSITATED BY OUR DISCOVERY THAT THE EXCHANGE STABILIZATION FUND WOULD NOT BE AVAILABLE TO MEET CONTINGENT LOSSES, CONSEQUENTLY REQUIRING US TO PROPOSE AN INTERIM AGENCY ARRANGEMENT ENTAILING NO POSSIBILITY OF USG LOSSES DURING WHICH ACTIVATION OF THE LONG-TERM ARRANGEMENT WOULD BE DEPENDENT UPON CONGRESSIONAL ACTION INVOLVING PUBLIC DEBATE BOTH PRIOR TO AND AFTER THE OPEC MEETING. IN THESE CIRCUMSTANCES, AND WITH THE OPEC MEETING APPROACHING, IT BECAME VERY DIFFICULT TO SHAPE A MUTUALLY SATISFACTORY AGREEMENT. THIS IS THE PERSPECTIVE IN WHICH WE SHOULD BOTH VIEW THIS EPISODE AS WE TURN TO OTHER MATTERS OR IF WE RETURN TO THIS MATTER IN OCTOBER.

3. I KNOW YOU WILL BE ALERT TO ANY INDICATION THAT, DESPITE ASSURANCE OF CONFIDENTIALLY SOUGHT ABOVE, GOI IS DISCLOSING WITHIN OPEC ANY ASPECT OF OUR POSITION IN THESE NEGOTIATIONS. KISSINGER

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